# Education Finance and Governance in California

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## The Context of California School Finance

As a consequence of a combination of court rulings, legislative enactments, and voter initiatives, traditional patterns of school governance in California have changed dramatically over the past 35 years. The presumption of local control, a system of governance based on local electoral accountability—the system in place for the previous 150 years—has been superseded by a system of state control. Decisions regarding resource allocation; curriculum; student, parent, and teacher rights; student assessment; and student promotion and graduation standards, which used to be matters of local discretion are now incorporated into state policy. Since enactment of the Public School Accountability Act (PSAA) in 1999, the state can take over "failing" schools and fire teachers and principals. Districts are subject to voluminous state and federal regulations and reporting requirements. The state tells teachers how to teach reading and tells teachers and administrators how to behave with parents. There are few areas of teaching and learning that are not subject to legislative mandate.

While California's state constitution makes education the state's responsibility, it also allows the state legislature to delegate much of that responsibility to local school districts. Created as legal entities by the legislature, the legislature authorized school districts to levy taxes, enter into contracts, and enforce state law as it applied to operation of schools. Accountability for education was synonymous with political accountability. School board members answered to local electorates. If a community was unhappy with its schools, it could elect a new board, which then might replace the existing school superintendent. The scope and quality of educational services was determined primarily by local preferences for education and local capacity to pay for them.

Nowhere within the state policy area are changes in state-local relations better exemplified than in financing K-12 public education. Until the late 1970s, local property tax revenues comprised the major share of school funding. The state's role in direct fiscal support to schools was a limited one. It guaranteed a funding floor for districts (as long as districts taxed themselves at a state-specified minimum level) and provided additional dollars for extraordinary costs—for transportation in rural areas, for instance. Local property taxes provided, on average, 60 percent of K-12 funding while the state provided 34 percent. Federal dollars made up the remaining 6 percent. Most importantly, nearly 90 percent of a district's revenues were general purpose or unrestricted, which meant that districts had a free hand in deciding how to allocate those funds.

The present school finance system is radically different. In 2004-05, on average, schools receive 67 percent of their funding from the state, 22 percent from local sources, 9 percent from the federal government, and 2 percent from the state lottery. Moreover, of the 60 percent that comes from the state, 40 percent is restricted, meaning that money must be used only for state-specified purposes. How much money a school district receives is fixed in law. While districts do have authority to augment their revenues through parcel taxes, only a handful have succeeded in doing so. For all practical purposes, California has a state, centralized education finance system.

The transformation of the state's school finance system raises the obvious "so what" question. What difference does it make where the money comes from? What effect has centralization had on the on the capacity of the state's nearly 1000 school districts to provide educational services in their communities? Moreover, since the rationale for policy changes was rooted in promoting the policy goals of equity, quality, efficiency, or adequacy, were those policy goals achieved? It is probably not intuitively obvious to a layperson what difference the source of funding makes. After all, money is money.

The impact of the transformation in school governance and finance is summarized in the following key points.

**California K-12 Finance and Governance Key Points**

- Over the past 30 years, CA has created a centralized system of education. The problem is not centralization, but the incoherence of the evolved system.

- The huge increase of categorical (restricted) funding in relation to block grant (unrestricted) funding has transformed school finance in significant ways.

- California has a supply-side school funding system, one in which how much money schools get is not determined by local *need* (or the actual cost of providing educational services in a community) but by the *availability* of state general revenues and by the manner in which the legislature decides allocates those funds.

- Between 1980 and 2001-02 the number of categorical programs increased from 19 to over 120.

- Between 1980 and 2001-02, average per pupil funding in constant dollars increased by 15 percent. Categorical funding increased by 165 percent, while block funding decreased by nearly 8 percent. For a classroom of 30 students, that amounts to roughly $32,000 less in discretionary money.

- While Proposition 98 was hailed by its supporters as a guarantee of stability in education funding, it has had the opposite effect. Funding decisions are often made late in the year after the "May revise." Policy changes like the Class Size

Reduction Program, left schools with a few months in which to find nearly 18,000 new teachers and thousands of new classrooms.

- Major policy decisions are made increasingly through the budget process: monies are allocated to new programs and the implementation language comes through trailer bills.

- CA lacks coherent policy in just about every area of education. Current policy is a consequence of funding opportunities and someone being "in the right place at the right time." Consequently, there are a dozen programs aimed at various problems associated with urban education. California lacks coherent education policy in just about every area of education: urban education, technology, transition from school to work, English language learners, and assessment.

- As the state has shifted from the traditional system of local, political accountability to a state system of bureaucratic accountability  the change has been accompanied by increasing instability, unpredictability, and loss of local flexibility and autonomy. Increasingly a "one-size-fits-all" policy mentality characterizes the state's education system.

- While the state's Constitution holds the state responsible for its education system, it is difficult to know just who the state is. Currently, authority for allocation is scattered among a wide number of agencies and interests, both vertically and horizontally. At the state level authority is shared among the governor, the legislature, the state superintendent, the state board of education, the state allocation board, the Public Employees Relations Board, and others.

- The state has created a system of accountability for schools, but has not given them flexibility or autonomy over resources. While they are held accountable for results, they have virtually no control over resource allocation.